

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Van Buren/Cass Distric Health Department	County Van Buren
Fiscal Year End 9/30/2007	Opinion Date 3/4/2008	Date Audit Report Submitted to State 3/13/2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

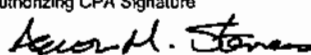
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>	N/A	
Other (Describe) (Single Audit)		<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836		
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI	Zip 48823
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA		License Number 1101024055

**Van Buren/Cass County District  
Public Health Department  
Hartford, Michigan**

**FINANCIAL STATEMENTS**

**September 30, 2007**

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
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Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
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INDEPENDENT AUDITOR'S REPORT

Board of Public Health  
Van Buren/Cass County District  
Public Health Department  
Hartford, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Van Buren/Cass County District Public Health Department, a component unit of Van Buren County, Michigan as of and for the year ended September 30, 2007, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Van Buren/Cass County District Public Health Department as of September 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2008, on our consideration of the Van Buren/Cass County District Public Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying other supplementary information and schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 4, 2008

# **VAN BUREN/CASS DISTRICT HEALTH DEPARTMENT**

**VAN BUREN COUNTY**  
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57418 CR 681, Suite A  
Hartford MI 49057  
Telephone (269) 621-3143  
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Frederick (Rick) Johansen, MD  
**DEPUTY MEDICAL DIRECTOR**  
Jason Tompkins, MD MPH & TM  
**ADMINISTRATOR/HEALTH OFFICER**  
Jeffery L Elliott, BBA

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201 M-62 North  
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## **Management's Discussion and Analysis For Fiscal Year Ended September 30, 2007**

This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Department's financial performance during the fiscal year ended September 30, 2007, and is a requirement of GASB 34. The Management's Discussion and Analysis is intended to be read in conjunction with the Department's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

### **Financial Highlights**

- The assets of the Department exceeded its liabilities at September 30, 2007, by \$1,632,002 at the government-wide level. Of this amount, \$1,399,247 (unrestricted net assets) may be used to meet the Department's ongoing obligations.
- The Department's total net assets increased \$47 as a result of this year's operations.
- As of September 30, 2007, the Department's governmental fund reported an ending fund balance of \$804,163, a decrease of \$167,589.
- As of September 30, 2007, the unreserved and undesignated fund balance was \$425,079.

### **Overview of the Financial Statements**

The Van Buren/Cass District Health Department's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements:** The government-wide financial statements provide information about the activities of the entire Department. They present an overall view of the Department's finances, reporting the assets, liabilities, revenues, and expenses as of and for the fiscal year ending September 30, 2007.

The Statement of Net Assets present information on all of the Van Buren/Cass District Health Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the year 2007. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

All of the Van Buren/Cass District Health Department's offices are supported by intergovernmental revenues, governmental grants, donations, fees and charges for services, interest, local, and contributions. The governmental activities of the Department are all considered health and sanitation programs. The Department does not operate any programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include only financial information related to the Van Buren/Cass District Health Department.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Van Buren/Cass District Health Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Department operates with one fund, which is considered a governmental fund.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Van Buren/Cass District Health Department adopts an annual appropriated budget for its Health Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 3 and 5 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-14 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 15. Other supplementary information concerning revenues and expenditures by program and expenditures of federal awards can be found on pages 16-29 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Van Buren/Cass District Health Department, assets exceeded liabilities by \$1,632,002. Condensed statements of net assets for September 30, 2007 and September 30, 2006 are presented below.

	<u>2007</u>	<u>2006</u>
Current assets	\$ 2,156,045	\$ 1,935,999
Capital assets	<u>232,755</u>	<u>73,547</u>
Total assets	2,388,800	2,009,546
Current liabilities	609,279	227,217
Noncurrent liabilities	<u>147,519</u>	<u>150,374</u>
Total liabilities	<u>756,798</u>	<u>377,591</u>
Net assets		
Invested in capital assets	232,755	73,547
Unrestricted	<u>1,399,247</u>	<u>1,558,408</u>
Total net assets	<u>\$ 1,632,002</u>	<u>\$ 1,631,955</u>

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) are \$1,399,247. Net assets invested in capital assets stands at \$232,755. The current level of unrestricted net assets for our governmental activities represents approximately 23 percent of annual expenses. This is within our desired range.

The following table shows the changes of net assets for the years ended September 30, 2007 and for the nine-month period ended September 30, 2006.

	<u>2007</u>	<u>2006</u>
Program revenues		
Charges for services	\$ 1,598,763	\$ 566,238
Operating grants and other/contributions	3,497,896	2,571,080
General revenue		
County appropriations	643,479	461,099
Hotel liquor tax	137,853	130,762
Cigarette tax	50,573	-
Interest	<u>48,420</u>	<u>28,231</u>
Total revenues	5,976,984	3,757,410
Program Expenses	<u>5,976,937</u>	<u>3,718,905</u>
Change in net assets	<u>\$ 47</u>	<u>\$ 38,505</u>

It is important to note that 2006 was a nine month fiscal period (January 1, 2006 through September 30 2006), because the Department switched fiscal year ends from December 31 to September 30, while 2007 represents a full 12 month year.



## **Financial Analysis of the Government's Fund**

As noted earlier, the Van Buren/Cass District Health Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund:** The focus of the Van Buren/Cass District Health Department's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Van Buren/Cass District Health Department's financing requirements. In particular, unreserved-undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current fiscal year, the Van Buren/Cass District Health Department's governmental fund reported an ending fund balance of \$804,163. Of this total, \$168,342 has been reserved for prepaid expenditures and inventory. There has been \$210,742 designated for vacation and personal leave. The unreserved and undesignated fund balance at September 30, 2007, was \$425,079.

As a measure of the governmental fund's liquidity, it may be useful to compare unreserved fund balance, total fund balance, and unreserved-undesignated fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent approximately 10 percent and 13 percent, respectively, of total fund expenditures, while unreserved-undesignated fund balance represents approximately 7 percent of total expenditures.

## **Governmental Fund Budgetary Highlights**

Over the course of the year, the Van Buren/Cass District Health Department's Board of Directors may amend the budget to take into account events that occur during the year. For the year ended September 30, 2007, charges for services program revenue increased significantly due to the expansion of the Dental Health Program in both Van Buren and Cass counties. The expenses for the amended budget increased due to consultant fees to expand dental staff and purchase of capital equipment for dental clinics.

## **Capital Asset and Debt Administration**

**Capital Assets:** The Van Buren/Cass District Health Department's investment in capital assets as of September 30, 2007, amounts to \$232,755 (net of accumulated depreciation). This represents an increase of \$159,208 from 2006. The Department purchased \$190,474 in dental equipment and dental software and \$8,220 in other equipment. Depreciation expense totaled \$39,486 for the year.

**Long-term Obligations:** The Van Buren/Cass District Health Department does not have any outstanding debt issues. The only long-term obligation the department currently has relates to compensated absences (e.g., unused vacation and personal leave). The total liability for this long-term obligation at September 30, 2007, is \$210,742, which represents an increase of \$22,774 from 2006.

## **Economic Factors and Next Year's Budget and Rates**

For the fiscal year ending September 30, 2008, close monitoring of State budget actions will continue to be important related to further possible cuts in funding provided through the Comprehensive Planning, Budgeting and Contracting (CPBC) agreement with the Michigan Department of Community Health. This level of funding has a significant impact on the types and levels of service we are able to provide as a Local Public Health Department.

The services of the Van Buren/Cass District Health Department are provided based on need and not the ability to pay. The budget for the fiscal year ending September 30, 2008 incorporated a modest increase in fees for services to the general public.

## **Requests for Information**

This financial report is designed to provide a general overview of the Van Buren/Cass District Health Department's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Chantal Wojcik**  
**Finance Administrator**  
**Van Buren/Cass District Health Department**  
**57418 CR 681, Suite A**  
**Hartford, MI 49057**  
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## **BASIC FINANCIAL STATEMENTS**

Van Buren/Cass County District Public Health Department

STATEMENT OF NET ASSETS

September 30, 2007

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 445,890
Accounts receivable	630,043
Due from other governmental units	
Federal/State	541,167
Local	194,593
Prepays	125,504
Inventories	218,848
	<hr/>
Total current assets	2,156,045
Noncurrent assets	
Capital assets, net of accumulated depreciation	232,755
	<hr/>
TOTAL ASSETS	2,388,800
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	370,046
Deferred revenue	176,010
Current portion of compensated absences	63,223
	<hr/>
Total current liabilities	609,279
Noncurrent liabilities	
Noncurrent portion of compensated absences	147,519
	<hr/>
TOTAL LIABILITIES	756,798
<b>NET ASSETS</b>	
Invested in capital assets	232,755
Unrestricted	1,399,247
	<hr/>
TOTAL NET ASSETS	\$ 1,632,002
	<hr/>

See accompanying notes to financial statements.

Van Buren/Cass County District Public Health Department

STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Personal health	\$ 4,000,824	\$ 541,759	\$ 3,036,817	\$ (422,248)
Environmental health	810,693	237,249	289,170	(284,274)
Dental health	1,140,822	807,620	160,759	(172,443)
Administration	24,598	12,135	11,150	(1,313)
Total	<u>\$ 5,976,937</u>	<u>\$ 1,598,763</u>	<u>\$ 3,497,896</u>	(880,278)
General revenues				
Interest				48,420
County appropriations				
Regular				493,585
Other				149,894
Cigarette tax				50,573
Hotel liquor tax				<u>137,853</u>
Total general revenues				<u>880,325</u>
Change in net assets				47
Net assets, beginning of the year				<u>1,631,955</u>
Net assets, end of the year				<u>\$ 1,632,002</u>

See accompanying notes to financial statements.

Van Buren/Cass County District Public Health Department

GOVERNMENTAL FUND BALANCE SHEET

September 30, 2007

	Special Revenue
ASSETS	
Cash	\$ 445,890
Accounts receivable	630,043
Due from other governmental units	
Federal/State	541,167
Local	194,593
Prepays	125,504
Inventories	218,848
	<hr/>
TOTAL ASSETS	\$ 2,156,045
	<hr/>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 370,046
Deferred revenue	981,836
	<hr/>
TOTAL LIABILITIES	1,351,882
FUND BALANCE	
Reserved for	
Prepays	125,504
Inventories	42,838
Unreserved	
Designated for vacation and sick leave	210,742
Undesignated	425,079
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TOTAL FUND BALANCE	804,163
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,156,045
	<hr/>

See accompanying notes to financial statements.

Van Buren/Cass County District Public Health Department

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

September 30, 2007

**Total fund balance - governmental fund** \$ 804,163

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 541,188	
Accumulated depreciation is	<u>(308,433)</u>	
		232,755

Deferred revenue has been recorded at the Fund level against receivables  
that have been earned but not yet received and therefore not considered  
available to finance current operations.

Deferred revenue		805,826
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Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.  
Long-term liabilities at year-end consist of:

Compensated absences	<u>(210,742)</u>
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<b>Net assets of governmental activities</b>	<b>\$ <u>1,632,002</u></b>
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See accompanying notes to financial statements.

Van Buren/Cass County District Public Health Department

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUND

Year Ended September 30, 2007

	Special Revenue
REVENUES	
Licenses and permits	\$ 268,320
Intergovernmental	
Federal/State	3,379,308
Charges for services	1,273,772
Interest	48,420
Other	144,058
TOTAL REVENUES	5,113,878
EXPENDITURES	
Current	
Salaries and wages	2,403,310
Fringe benefits	759,492
Supplies and materials	1,307,899
Contractual services	950,701
Telephone	68,833
Travel	110,200
Insurance	28,295
Utilities	29,206
Repairs and maintenance	53,954
Building and equipment lease and rentals	149,734
Printing and advertising	19,134
Postage	15,361
Other	18,559
Capital outlay	198,694
TOTAL EXPENDITURES	6,113,372
EXCESS OF REVENUES (UNDER) EXPENDITURES	(999,494)
OTHER FINANCING SOURCES	
County appropriations - regular	493,585
County appropriations - other	149,894
Cigarette tax	50,573
Hotel liquor tax	137,853
TOTAL OTHER FINANCING SOURCES	831,905
NET CHANGE IN FUND BALANCE	(167,589)
Fund balance, beginning of year	971,752
Fund balance, end of year	\$ 804,163

See accompanying notes to financial statements.



Van Buren/Cass County District Public Health Department

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN  
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

**Net change in fund balance - governmental fund** \$ (167,589)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 198,694	
Depreciation expense	<u>(39,486)</u>	
Excess of capital outlay over depreciation expense		159,208

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue		31,202
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued compensated absences	<u>(22,774)</u>
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<b>Change in net assets of governmental activities</b>	<u><u>\$ 47</u></u>
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See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Van Buren/Cass County District Public Health Department is a joint venture between Van Buren and Cass Counties, and was established to provide public health services. The District Health Board has representation and provides services to Van Buren and Cass Counties. Each County provides annual appropriations and passes through the statutory amounts of cigarette and hotel liquor tax funding to subsidize operations. In addition, the treasury function for the District Health Department rests with the Van Buren County Treasurer. For this reason, the District Health Department is discretely presented in the Van Buren County financial statements.

The District Health Department's financial statements are prepared in accordance with generally accepted principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Department are discussed below.

The primary revenues of the Van Buren/Cass County District Public Health Department are charges for services, Federal and State grants and County appropriations.

**1. Reporting Entity**

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14 (as amended by GASB Statement 39), *The Financial Reporting Entity*; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements are exclusive presentations of the financial condition and results of operations of the Van Buren/Cass County District Public Health Department.

**2. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the Department as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Department and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all County appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Department.

**FUND FINANCIAL STATEMENTS**

The Department uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Department's individual major fund.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Basis of Presentation - continued

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The major fund of the Department is:

- a. Special Revenue Fund - This fund is used to account for all financial resources of the Department, which are restricted to expenditures for specified health related purposes.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Department before it has legal claim to them.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

The Department reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the Department receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Budgets and Budgetary Accounting

The annual budget of the Department is prepared by Department management (based on the consolidation of individual program budgets) and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

5. Cash

Cash consists of the Department's payroll and accounts payable checking account, imprest cash, and cash on deposit with the Van Buren County Treasurer.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**6. Receivables and Deferred Revenue**

Receivables consist of amounts due from governmental units for various grant programs and accounts receivable for charges for services to clients and other organizations.

The Department has not recognized revenue at the fund level related to client charges for services until it is received due to the collectable portion not being considered "measurable" or "available to finance expenditures of the current period". The Department has recorded deferred revenue at the fund level equaling the amount of the accounts receivable.

The Department has recorded deferred revenue at both the governmental-wide and the fund level equaling the amount of vaccine inventory received from the State of Michigan that is on hand at year-end.

**7. Inventories**

Inventories are stated at cost on a first in/first out basis. Inventories consist of operating supplies and vaccines received from the State of Michigan. Vaccine inventory on hand at year-end have been reported as deferred revenue. Inventory amounts not reported as deferred revenue are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

**8. Prepaids**

Prepaids consist of insurance premiums, maintenance costs, and costs related to the new dental center, which are paid in advance for the next fiscal year.

**9. Capital Assets**

Capital assets include equipment and building improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	4 - 20 years
Building Improvements	27 years

The Department has no assets that would be classified as infrastructure assets.

**10. Compensated Absences**

The Department employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount, along with related payroll taxes has been recorded as a current and long-term liability in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**11. Comparative Data**

Comparative data for the prior year has not been presented in the accompanying financial statements since its inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH**

In accordance with Michigan Compiled Laws, the Department is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

The Department's bank deposits at September 30, 2007, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking accounts	\$ 78,936	\$ 156,915

Bank deposits of the Department are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Department. As of September 30, 2007, the Department's accounts were insured by the FDIC for \$100,000 and the amount of \$56,915 was uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE B: CASH - CONTINUED**

The cash caption on the balance sheet includes \$6,892 in imprest cash and \$360,062 in cash that is on deposit with the Van Buren County Treasurer. The cash on deposit with the Van Buren County Treasurer is part of the County pooled cash and investments. As a result, the insured and uninsured amounts related to the Department cannot be determined.

**Credit Risk**

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Department has not adopted a policy that indicates how the Department will minimize credit risk if/when the Department has investments that are subject to this type of risk.

**Interest rate risk**

The Department has not adopted a policy that indicates how the Department will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time if/when the Department has investments that are subject to this type of risk.

**Concentration of credit risk**

The Department has not adopted a policy that indicates how the Department will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Department's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized if/when the Department has investments that are subject to this type of risk.

**NOTE C: CAPITAL ASSETS**

The following provides a summary of the changes in capital assets for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Deletions	Balance Sept. 30, 2007
Governmental activities:				
Building improvements	\$ 50,000	\$ -	\$ -	\$ 50,000
Equipment	292,494	198,694	-	491,188
Totals at historical cost	342,494	198,694	-0-	541,188
Less accumulated depreciation for:				
Building improvements	( 14,044 )	( 1,851 )	-	( 15,895 )
Equipment	( 254,903 )	( 37,635 )	-	( 292,538 )
Total accumulated depreciation	( 268,947 )	( 39,486 )	-0-	( 308,433 )
Capital assets, net	\$ 73,547	\$ 159,208	\$ -0-	\$ 232,755

Depreciation expense has been allocated to governmental functions as follows: Personal Health \$2,370, Environmental Health \$1,579, Dental Health \$15,794 and Administration \$19,743.

**NOTE D: COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences (including current portion) of the Health Department for the year ended September 30, 2007:

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE D: COMPENSATED ABSENCES - CONTINUED**

	Balance Oct. 1, 2006	Additions	Deletions	Balance Sept. 30, 2007	Amounts due within one year
Accumulated compensated absences	\$ 187,968	\$ 28,478	\$ 5,704	\$ 210,742	\$ 63,223

Significant details regarding outstanding compensated absences (including current portion) are presented below:

Employees of the Van Buren/Cass County District Public Health Department are granted vacation and sick leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at full current rate of pay to a maximum of 25 days, and accumulated sick leave at a rate of 50% of hours accumulated up to a maximum of 750 hours (375 hours payable).

Accumulated vacation leave and sick pay represent a liability to the Department which is presented as both a current and long-term liability in the government-wide financial statements. Payments to employees for vacation leave and sick pay are recorded as expenditures when they are used and payments are actually made to the employees.

At September 30, 2007, vacation and sick pay including related payroll taxes amounted to \$210,742; \$63,223 of which has been classified as a current liability.

**NOTE E: RETIREMENT PLAN**

The Van Buren/Cass County District Public Health Department employees participate in the Van Buren County Employee Pension Trust, which became effective on April 30, 1984. This defined contribution plan replaced the Van Buren County Pension Plan that was terminated. Assets of the terminated plan, which represented accumulated employer's contributions were transferred to the new plan and deposited in the Transfer Account of the Trust Fund. Assets that had been accumulated in the previous plan as a result of employee contributions were retained by the trustee of the plan and are to be distributed to plan participants at the time of their retirement according to the terms of that plan's annuity contracts.

All County employees including elected and appointed officials are eligible to participate in the plan. The County is required to pay contributions to the plans that match the participants' contribution up to a maximum of 7% of employee compensation.

The participants' contributions are fully vested at all times. The participants' Employer Contribution Account balance becomes fully vested after 4 years of service. The County plan is invested in Fidelity Mutual Funds.

For the year ended September 30, 2007, the Department had a total and covered payroll of \$2,403,310. The Department made employer contributions to the retirement plan in the amount of \$98,793.

**NOTE F: DEFERRED COMPENSATION**

Van Buren County (including the Van Buren/Cass County District Health Department) offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to substantially all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered through Fidelity Mutual Funds.

Legislative change has been made to 457 plans which mandate that no later than January 1, 1999 all existing 457 plan assets must be held in a custodial account, trust, annuity contract for benefit of participants and their beneficiaries.

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE F: DEFERRED COMPENSATION - CONTINUED**

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiary, and are not subject to the claims of public employees' creditors nor can they be used by the public employee for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. As of December 31, 1998, the County had implemented changes to be in compliance with the new requirement. As a result, the plan assets are not reported by the Department because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

**NOTE G: RISK MANAGEMENT**

The Department participates in a State pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Department has not been informed of any special assessments being required.

The Department also participates in a State Pool, the Michigan Municipal Workers Compensation Fund, with other municipalities for worker's compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Department has not been informed of any special assessments being required.

**NOTE H: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance that the Department has set aside for specific purposes.

The following are the fund balance reserves as of September 30, 2007:

Reserved for prepaids	\$ 125,504
Reserved for inventories	<u>42,838</u>
	<u>\$ 168,342</u>

The following is the fund balance designation as of September 30, 2007:

Designated for vacation and sick leave	<u>\$ 210,742</u>
--	-------------------

**NOTE I: CONTINGENCIES**

The Department participates in a number of Federal and state assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the Department's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by granting agencies cannot be determined at this time although the Department expects such amounts, if any, to be immaterial.



NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE I: CONTINGENCIES - CONTINUED**

Significant patient service revenue and account receivable balances for service fees were derived from reimbursements for providing medical services to Medicare and Medicaid recipients. Payments for these services are based upon allowable costs incurred and are subject to final audit by the intermediaries. Possible changes in the health care financing systems may have an effect on the Department's future revenues.

**NOTE J: MICHIGAN COMMUNITY DENTAL CLINICS**

During 2007, the dental clinic staff members were laid off indefinitely as a result of the Board of Health's decision to contract with Michigan Community Dental Clinics, Inc. for clinical staff (i.e., dentists, hygienists, support staff). The Department continues to receive Medicaid, Insurance and self-pay reimbursement for services rendered.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Van Buren/Cass County District Public Health Department

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

Year Ended September 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Licenses and permits	\$ 262,598	\$ 264,330	\$ 268,320	\$ 3,990
Intergovernmental				
Federal/State	2,899,014	3,309,351	3,379,308	69,957
Charges for services	847,117	1,492,481	1,273,772	(218,709)
Interest	39,178	33,427	48,420	14,993
Other	35,134	29,810	144,058	114,248
<b>TOTAL REVENUES</b>	<b>4,083,041</b>	<b>5,129,399</b>	<b>5,113,878</b>	<b>(15,521)</b>
<b>EXPENDITURES</b>				
Current				
Salaries and wages	2,589,438	2,403,310	2,403,310	-0-
Fringe benefits	844,169	759,492	759,492	-0-
Supplies and materials	720,317	1,320,679	1,307,899	12,780
Contractual services	269,992	929,702	950,701	(20,999)
Telephone	66,951	68,833	68,833	-0-
Travel	110,367	108,311	110,200	(1,889)
Insurance	23,702	28,295	28,295	-0-
Utilities	30,111	29,206	29,206	-0-
Repairs and maintenance	33,242	54,375	53,954	421
Building and equipment lease and rentals	165,549	147,223	149,734	(2,511)
Printing and advertising	20,444	19,134	19,134	-0-
Postage	15,408	15,361	15,361	-0-
Depreciation	15,472	-	-	-0-
Other	24,237	20,315	18,559	1,756
Capital outlay	-	250,671	198,694	51,977
<b>TOTAL EXPENDITURES</b>	<b>4,929,399</b>	<b>6,154,907</b>	<b>6,113,372</b>	<b>41,535</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(846,358)</b>	<b>(1,025,508)</b>	<b>(999,494)</b>	<b>26,014</b>
<b>OTHER FINANCING SOURCES</b>				
County appropriations - regular	493,585	493,585	493,585	-0-
County appropriations - other	115,671	130,894	149,894	19,000
Cigarette tax	50,758	50,573	50,573	-0-
Hotel liquor tax	131,970	137,853	137,853	-0-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>791,984</b>	<b>812,905</b>	<b>831,905</b>	<b>19,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(54,374)</b>	<b>(212,603)</b>	<b>(167,589)</b>	<b>45,014</b>
Fund balance, beginning of year	971,752	971,752	971,752	-0-
Fund balance, end of year	<u>\$ 917,378</u>	<u>\$ 759,149</u>	<u>\$ 804,163</u>	<u>\$ 45,014</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Van Buren/Cass County District Public Health Department

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM <sup>(a)</sup>

Year Ended September 30, 2007

	Intensive Outpatient	Outpatient	Women's Specialty Services
REVENUES			
Intergovernmental			
Federal/State	\$ 19,382	143,725	\$ 15,483
Charges for services	23,120	74,430	-
Other	-	20,000	-
<b>TOTAL REVENUES</b>	<b>42,502</b>	<b>238,155</b>	<b>15,483</b>
EXPENDITURES			
Current			
Salaries and wages	22,804	175,996	-
Fringe benefits	7,280	42,587	-
Supplies and materials	929	8,785	86
Contractual services	58	42,654	15,462
Telephone	791	6,476	6
Travel	14	1,188	-
Insurance	-	-	-
Utilities	1,483	4,578	-
Repairs and maintenance	25	763	-
Building and equipment lease and rentals	4,514	14,359	-
Printing and advertising	54	554	-
Other	9,326	67,760	-
<b>TOTAL EXPENDITURES</b>	<b>47,278</b>	<b>365,700</b>	<b>15,554</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,776)</b>	<b>(127,545)</b>	<b>(71)</b>
OTHER FINANCING SOURCES			
County appropriations - other	798	2,886	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>\$ (3,978)</b>	<b>\$ (124,659)</b>	<b>\$ (71)</b>

(a) This schedule only includes Substance Abuse programs. It does not include all the programs of the Department.

S.A.R.F. Van Buren	Prevention Services	Cass Prevention	Methadone Treatment	Prevention Misc Grants/Programs	Total Agency
\$ -	\$ 183,854	\$ 59,352	\$ 16,299	\$ -	\$ 438,095
7,043	2,530	-	-	-	107,123
-	-	-	480	54,619	75,099
7,043	186,384	59,352	16,779	54,619	620,317
8,524	95,551	36,497	3,850	-	343,222
4,912	31,626	5,294	301	-	92,000
287	5,282	14	538	17,773	33,694
5,442	960	73	10,600	1,705	76,954
545	2,732	509	-	-	11,059
43	8,011	3,042	1,060	5,799	19,157
-	-	71	-	3,188	3,259
382	1,164	-	-	-	7,607
22	459	-	-	-	1,269
1,165	5,493	956	-	-	26,487
54	146	-	430	2,113	3,351
4,165	39,419	12,955	-	-	133,625
25,541	190,843	59,411	16,779	30,578	751,684
(18,498)	(4,459)	(59)	-0-	24,041	(131,367)
207		956	-	2,576	7,423
<u>\$ (18,291)</u>	<u>\$ (4,459)</u>	<u>\$ 897</u>	<u>\$ -0-</u>	<u>\$ 26,617</u>	<u>\$ (123,944)</u>

Van Buren/Cass County District Public Health Department

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through Michigan Department of Community Health and the Van Buren County Sheriff's Department Byrne Formula Grants Jail Substance Abuse Program	16.738	N/A	\$ 64,911
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through Michigan Department of Environmental Quality Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	1,200
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	N/A	5,600
Beach Monitoring and Notification Program Implementation Grants	66.472	N/A	<u>5,290</u>
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<b>12,090</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through Michigan Department of Education and Van Buren Intermediate School District Special Education Grants for Infants and Families with Disabilities 2006-07 Infant/Toddler (Van Buren)	84.181	N/A	17,000
Passed through Michigan Department of Community Health Safe and Drug Free Schools and Communities - State Grants FY 06-07	84.186	20071544	<u>24,000</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>41,000</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through Michigan Department of Community Health Family Planning Services (Family Planning) <sup>(a)</sup> FY 06-07	93.217	20070355	75,574
Immunizations <sup>(c)</sup> FY 06-07 IAP	93.268	20070355	51,337
FY 06-07 Provider Site Visits <sup>(b)</sup>			5,150
FY 06-07 Vaccine supply			<u>802,664</u>
			<b>859,151</b>

Van Buren/Cass County District Public Health Department

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Community Health - continued			
Center for Disease Control -			
Investigations and Technical Assistance	93.283	20070355	
Bioterrorism - Focus A			\$ 172,631
Pandemic Flu 06-07			<u>72,297</u>
			244,928
 AIDS/HIV Prevention, Counseling, and Testing FY 06-07	 93.940	 20070355	 55,496
 Maternal and Child Health Services Block Grant	 93.994	 20070355	
Family Planning Services <sup>(a)</sup>			
FY 06-07			15,269
Local MCH Family Planning			
FY 06-07 Regular			80,654
Case Management Services (CC-LBS)			
FY 06-07			19,231
Oral Health			
FY 06-07			<u>35,600</u>
			150,754
 Passed through Michigan Department of Human Services			
Medical Assistance Program	93.778	20070355	
Case Management Services			
FY 06-07			33,269
CSHC Care Coordination <sup>(b)</sup>			
FY 06-07			<u>42,410</u>
			<u>75,679</u>
 TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,461,582</u>
 TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 1,579,583</u>



Van Buren/Cass County District Public Health Department

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2007

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Van Buren/Cass County District Public Health Department and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a) - (d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following percentages of Federal participation:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Family Planning FY 06-07	93.217	78
Family Planning FY 06-07	93.994	19

- (b) The reimbursements for these programs are based on a fixed unit rate for each allowable service provided. Expenditures have been reported to the extent of earned revenues.
- (c) Denotes program tested as "major program".
- (d) The following reconciles the federal revenues reported in the September 30, 2007 fund financial statements to the expenditures of the Department administered federal programs reported on the Schedule of Expenditures of Federal Awards:

Federal/State Revenue (per financial statements)	\$ 3,379,308
<u>Less: Portions of grant funding considered "State" funding.</u>	<u>( 1,799,725 )</u>
	<u>\$ 1,579,583</u>

Principals

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Public Health  
Van Buren/Cass County District  
Public Health Department  
Hartford, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Van Buren/Cass County District Public Health Department as of and for the year ended September 30, 2007, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated March 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Buren/Cass County District Public Health Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly we do not express an opinion on the effectiveness of the Department's internal control.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as 2007-1, 2007-2, and 2007-3 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

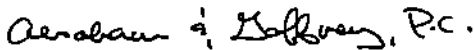
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described as 2007-1 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Buren/Cass County District Public Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as 2007-4.

Van Buren/Cass County District Public Health Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Van Buren/Cass County District Public Health Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Board of Public Health of Van Buren/Cass County District Public Health Department, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 4, 2008

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Public Health  
Van Buren/Cass County District  
Public Health Department  
Hartford, Michigan

Compliance

We have audited the compliance of Van Buren/Cass County District Public Health Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that is applicable to each of its major federal programs for the year ended September 30, 2007. Van Buren/Cass County District Public Health Department's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Van Buren/Cass County District Public Health Department's management. Our responsibility is to express an opinion on Van Buren/Cass County District Public Health Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Van Buren/Cass County District Public Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Van Buren/Cass County District Public Health Department's compliance with those requirements.

In our opinion, Van Buren/Cass County District Public Health Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

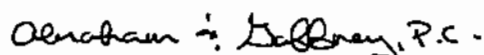
The management of Van Buren/Cass County District Public Health Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Van Buren/Cass County District Public Health Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Van Buren/Cass County District Public Health Department's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management and Board of Public Health of Van Buren/Cass County District Public Health Department, others within the entity, the federal awarding agencies and the pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 4, 2008

Van Buren/Cass County District Public Health Department

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2007

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?   X   Yes        No

Significant deficiencies identified that are not considered to be material weakness(es)?   X   Yes        None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified that are not considered to be material weakness(es)?        Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133?   X   Yes        No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.268	Immunization Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?   X   Yes        No

**Section II - Financial Statement Findings**

**2007-1 MATERIAL JOURNAL ENTRIES**

Condition: Material journal entries for the adjustment of accounts receivable and accounts payable were proposed by the auditors. These misstatements were not detected by the Department's internal control over financial reporting. By definition, independent auditors cannot be part of the government's internal controls.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

**Section II - Financial Statement Findings - Continued**

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**2007-1 MATERIAL JOURNAL ENTRIES**

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. Responsibility for the financial statements of the Department rests with the Department's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting). The auditor cannot be a part of internal controls.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Department's internal controls.

Recommendation: We recommend that the Department take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: For internal reporting, the Health Department records depreciation as an expense and books equipment as capital assets. For auditing purposes, journal entries need to be created to adjust to modified accrual basis and adjust fund balance accordingly.

**2007-2 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP**

Condition: It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. Responsibility for the financial statements of the Department rests with the Department's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting). The auditor cannot be a part of internal controls.

Effect: As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Department's annual financial statements and notes to the financial statements in accordance with GAAP. The Department relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

Recommendation: We recommend the Department consider obtaining proper training for the appropriate members of the Department's administration to assure that they are able to fully understand the requirements of preparing GAAP financial statements. This understanding is essential for the Department's administration to be able to accept responsibility for the amounts and disclosures included in the Department's financial statements.

Corrective Action Response: For cost effectiveness and time, the Health Department evaluates financial conditions monthly on cash basis. The budget is amended on a quarterly basis, if needed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

**Section II - Financial Statement Findings - Continued**

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**2007-3 FRAUD RISK MANAGEMENT PROGRAM**

Condition: During the course of our audit, we noted that the Department has not developed or implemented a fraud risk management program.

Criteria: Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Effect: Due to the Department not developing a fraud risk assessment and monitoring program it is unable to assess the Department's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements.

Recommendation: We recommend that the Department develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also include informing management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

Corrective Action Response: The Board of Health will adopt policy on March 12, 2008.

**2007-4 INVESTMENT POLICY REQUIRED BY MICHIGAN COMPILED LAW**

Condition: The Department has not adopted an investment policy as required by State law.

Criteria: Michigan Compiled Law (MCL 129.95) requires the governing body of all public corporations to formally adopt an investment policy that includes, at a minimum, all of the following:

- (a) A statement of the purpose, scope, and objectives, of the policy, including safety, diversification, liquidity, and return on investment.
- (b) A delegation of authority to make investments.
- (c) A list of authorized investment instruments. If the policy authorizes an investment in mutual funds, it shall indicate whether the authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share or also includes securities whose net asset value per share may fluctuate on a periodic basis.
- (d) A statement concerning safekeeping, custody, and prudence.

In addition to the requirements of State law, Governmental Accounting Standards Board Statement #40 (GASB 40) requires the disclosure of the Department's investment policies related to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk (if applicable).

Effect: The Department is not in compliance with MCL 129.95.

Recommendation: We recommend the Board adopt a formal investment policy that complies with Public Act 20 of 1943 and GASB 40. Such formal adoption should be documented in the minutes to the Board meeting.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2007

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**Section II - Financial Statement Findings - Continued**

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**2007-4 INVESTMENT POLICY REQUIRED BY MICHIGAN COMPILED LAW - CONTINUED**

Corrective Action Response: The Van Buren/Cass District Public Health Board has elected the Van Buren County Treasurer to be the custodian of all funds received and expended for the purpose of conducting health department programs. Investments on behalf of the Health Department will be made in accordance with Van Buren County's investment policy.

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**Section III - Federal Award Findings and Questioned Costs**

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None

Van Buren/Cass County District Public Health Department  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended September 30, 2007

There were no findings disclosed for the nine months ended September 30, 2006.

2005-1 VACCINE INVENTORY

In 2005, it was reported that the ending balances of the "Hib" reported by the Department on the October 2005 Local Health Department Monthly Vaccine Inventory Report for Van Buren County did not agree with the ending balances reported on the monthly physical inventory records for Van Buren County. This condition was not noted for the current year and therefore the finding is considered resolved.